



Department of Justice

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NEW YORK ADVERTISING EXECUTIVE FACES BID RIGGING CHARGE

WASHINGTON, D.C. -- The Department of Justice today announced that a Manhattan federal grand jury today returned a superseding indictment charging a New York City advertising executive with conspiring to rig bids and allocate contracts.

John F. Steinmetz of Lincroft, New Jersey, former vice president and associate director of graphic services at Grey Global Group Inc. (Grey), an advertising agency headquartered in Manhattan, was charged, in a superseding indictment filed in U.S. District Court in Manhattan, with one count of conspiring to rig bids and allocate contracts for the supply of retouching and separation services purchased by Grey on behalf of one of its clients from late 1994 until 2001.

Steinmetz was charged along with three other defendants who were indicted earlier this year. Previously, on May 16, 2002, Mitchell Mosallem, an executive vice president and director of graphic services at Grey had been indicted for conspiring to rig bids and allocate contracts for the supply of retouching and separation services purchased by Grey on behalf of one of its clients from late 1994 until 2001, and for conspiring to defraud certain Grey clients in a phony billing scheme from 1991 until July 2000. The Color Wheel Inc. (Color Wheel), a Manhattan supplier of graphic services; Color Wheel's owner, Haluk K. Ergulec; a Color Wheel salesperson, Birj Deckmejian; and a salesperson of an unindicted graphic supply company, John Ghianni of Fort Lee, New Jersey, were also made defendants in the indictment returned on May 16, 2002. On

September 17, 2002, a Manhattan federal grand jury returned a superseding indictment adding nine new fraud and tax charges against Mosallem.

Today's superseding indictment does not name Ergulec and Color Wheel as defendants because they entered pleas of guilty in Manhattan federal court on November 26, 2002 to their respective counts of a five-count superseding information. Pursuant to a plea agreement, the parties will recommend to the Court that Ergulec be sentenced within a range of 37 to 46 months in prison and pay \$1.5 million in restitution to the victims of his crimes.

"Today's indictment demonstrates the Antitrust Division's resolve to aggressively prosecute individuals who engage in anticompetitive practices," said R. Hewitt Pate, Acting Assistant Attorney General in charge of the Department's Antitrust Division. "We will continue to seek out and prosecute bid-rigging and allocation schemes in the graphic services and advertising industries."

According to Count One of the indictment returned today, Mosallem, Ghianni, Steinmetz, and others conspired to rig bids and allocate contracts awarded by Grey to graphic vendors for work performed on behalf of Brown & Williamson Tobacco Corp. (B&W), one of its clients. In order to secure the best price for its contracts, B&W required Grey to obtain three competitive bids before awarding certain contracts. The conspirators obtained intentionally high "cover" bids from vendors in order to make it appear to B&W that it was receiving the benefit of true competition, when, in fact, it was not.

The conspiracy charged in Count Two against Mosallem and Deckmejian and the conspiracy and tax charges, Counts Three through Eleven, against Mosallem are the same as previously charged on September 17, 2002.

The bid-rigging charge, a violation of the Sherman Act, 15 U.S.C. § 1, carries a maximum penalty for an individual of three years imprisonment and a \$350,000 fine.

The conspiracy charges, violations of 18 U.S.C. § 371, each carry a maximum penalty of five years' imprisonment, three years' supervised release, and a \$250,000 fine.

Each of the counts of subscribing to false and fraudulent tax returns, in violation of 26 U.S.C. §7206(1), carries a maximum penalty per count of three years in prison, one year of supervised release, and a \$100,000 fine, together with the cost of prosecution.

The maximum fine on each count may be increased to twice the gain derived from the crime or twice the loss suffered by the victim of the crime, if either of those amounts is greater than the statutory maximum fine. In addition, each defendant upon conviction could be ordered to pay restitution to any victim for the full amount of that victim's loss.

Today's charges arose from an ongoing federal antitrust investigation of bid rigging, bribery, fraud, and tax-related offenses in the advertising and printing and graphics industries. The investigation is being conducted by the Antitrust Division's New York Field Office, with the assistance of the Federal Bureau of Investigation and the Internal Revenue Service Criminal Investigation Division.

Anyone with information concerning bid rigging, bribery, tax offenses, or fraud in the advertising or printing industries should contact the New York Field Office of the Antitrust Division at (212) 264-0679 or the New York Division of the FBI at (212) 384-3252.

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